

THE ASEAN WAY OR NO WAY? A CLOSER LOOK AT THE ABSENCE OF A COMMON RULE ON INTELLECTUAL PROPERTY EXHAUSTION IN ASEAN AND THE IMPACT ON THE ASEAN MARKET

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I. INTRODUCTION

The Symposium in which this essay is published features recent developments in the law of intellectual property (IP) in Asia. In this essay, I focus on the Association of South East-Asian Nations (ASEAN), a region that I have had the opportunity to visit extensively in the past several years. In particular, I analyze the enforcement of IP rights in the context of the application of the principle of IP exhaustion in individual ASEAN Members, and the relationship between this principle and free movement of goods within the ASEAN region. In the past, I have addressed the same topic with respect to the laws applicable in the European Union (EU) and the North American Free Trade Area (NAFTA). As the principle of IP exhaustion states that the owners of IP rights are no longer entitled to control the distribution of their products after the first lawful sale in the marketplace, the extent of the application of this principle to cross border trade is crucial for the free movement of goods in free trade areas.

The essay proceeds as follows. In Part II, I offer a brief review of ASEAN and emphasize how ASEAN members follow the so-called ASEAN Way, a general policy based on consensus and non-interference into other ASEAN Members' national policies. In this Part, I additionally describe the principle of IP exhaustion in general. In Part III, I survey the approaches adopted by individual ASEAN Members regarding trademark, patent, and copyright exhaustion and

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note the lack of any harmonization with respect to this principle within ASEAN Members. In Part IV, I build on the survey in Part III, and criticize the lack of consistent policies on IP exhaustion as a barrier to the effective free movement of goods in ASEAN. I thus take the view that ASEAN Members should consider adopting individual domestic policy on international IP exhaustion, which would permit the imports of goods from all countries worldwide, not only other ASEAN Members. This solution would both allow ASEAN Members to have autonomy over their respective trade-related agendas with non-ASEAN countries as well as it would permit the free movement of goods across ASEAN Members. To the contrary, I support that adopting a common policy on ASEAN regional exhaustion—similar to the approach currently adopted by the European Union (EU)—would be less advisable for ASEAN Members. This solution would allow parallel trade within ASEAN Members, yet it would permit blocking of imports from outside the region, which could run against the principle of non-interference in ASEAN.

As a disclaimer, my analysis in this essay is focused on the free movement of genuine (non-counterfeited) goods. Further, my analysis is limited to the trade in physical goods (sold both through traditional channels in the brick-and-mortar environment and online) and does not extend to the issue of free movement of digital goods. I additionally do not focus on the impact of contracts (primarily licensing agreements) and the instances where contracts are used to limit the resale of products in foreign markets. These agreements are recognized as valid in some (but not all) jurisdictions in ASEAN. Similarly, I do not address the competition-related aspects of these contracts, which could be found to represent anticompetitive practices. Finally, in this essay, I do not provide data related to level of development, the domestic industries, and other economic data of individual ASEAN Members. These data may in fact be relevant to justify different domestic policies on IP exhaustion. Still, as I have noted before several times in my writings, it is only with the adoption of consistent rules on IP exhaustion that free movement of goods can be effectively promoted within a free trade area or custom union. This includes also ASEAN, as effective free movement of goods can be achieved within ASEAN only so long as domestic rules on IP exhaustion do not prevent parallel imports, thus becoming a barrier to intra-ASEAN trade.

II. A BRIEF REVIEW OF THE ASEAN INTELLECTUAL PROPERTY FRAMEWORK AND THE ABSENCE OF A COMMON POSITION ON INTELLECTUAL PROPERTY EXHAUSTION

A. *Background on ASEAN and the ASEAN Intellectual Property Framework*

ASEAN was established in 1967 with the aim of integrating the ASEAN Members into a regional economic organization.¹ ASEAN Members adopted fundamental principles of consensus and non-interference with national policies.² This approach is different from the approach adopted, for example, by the Member States of the EU and is referenced above as “the ASEAN Way.”

In addition, ASEAN did not create institutions charged with developing, administering, and ruling on issues related to ASEAN-focused policies, as the EU created with the establishment of the EU Parliament, EU Commission, and Court of Justice of the EU (CJEU, formerly the European Court of Justice, ECJ). In 2003, the ASEAN Members resolved to establish an ASEAN Community and adopted the ASEAN Charter in 2007.³ One of the cornerstones of the ASEAN Community was the creation of the ASEAN Economic Community (AEC), which launched in 2015⁴ with the goal to integrate ASEAN Members’ markets into a single market that comprises the free movement of goods, services, investment, capital, and skilled labor.⁵

¹ The ASEAN Declaration (Bangkok Declaration) Bangkok, Aug. 8, 1967, <https://asean.org/the-asean-declaration-bangkok-declaration-bangkok-8-august-1967/> [https://perma.cc/VL5P-KWE8].

² Treaty of Amity and Cooperation in Southeast Asia Indonesia, Feb. 24, 1976, <https://asean.org/treaty-amity-cooperation-southeast-asia-indonesia-24-february-1976/> [https://perma.cc/5T2N-QKLA].

³ Declaration of ASEAN Concord II (Bali Concord II), Oct. 7, 2003, https://asean.org/?static_post=declaration-of-asean-concord-ii-bali-concord-ii [https://perma.cc/QPL9-EE8Y].

⁴ Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015, ASEAN, Jan. 13, 2007: ASEAN Members committed to accelerate the establishment of the ASEAN Economic Community in the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015. The ASEAN Community consists of the three pillars of the ASEAN Security Community, the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community. These form the Roadmap for an ASEAN Community 2009–2015.

⁵ ASEAN, Declaration on the ASEAN Economic Community Blueprint, ¶ 9, 2008, <https://asean.org/wp-content/uploads/archive/5187-10.pdf> [https://perma.cc/XSL2-BXHR].

The foundation of the ASEAN market can be traced to the Declaration on the ASEAN Economic Community Blueprint.⁶ In 1992, ASEAN Members also signed an Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area⁷ (AFTA) to foster regional economic integration and eliminate tariff and non-tariff barriers.⁸

As part of the process of ASEAN integration, ASEAN Members adopted the ASEAN Framework Agreement on Intellectual Property Cooperation⁹ (Framework Agreement) in 1995, hoping to establish cooperation in several IP-related areas, including copyright and related rights, patents, trademarks, industrial designs, geographical indications, trade secret, and lay-out designs of integrated circuits.¹⁰ To date, however, this cooperation has not accomplished all of its goals, focusing primarily on administrative matters such as interoperability between and assistance with domestic procedures adopted for patent and trademark searches, as well as the creation of regional databases. Various intra-ASEAN IP related initiatives¹¹ have been adopted, including: the Hanoi Plan of Action,¹² ASEAN Intellectual Property Rights Action Plan 2004–

For a detailed analysis of the creation of the AEC, see STEFANO INAMA & EDMUND W. SIM, AN INSTITUTIONAL AND LEGAL PROFILE (2015).

⁶ ASEAN, Declaration on the ASEAN Economic Community Blueprint, *supra* note 5, ¶¶ 11, 13, 14.

⁷ Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA), art. 5, Jan. 28, 1992, WIPO Lex. No. TRT/AFTA/001 [hereinafter CEPT-AFTA], https://www.asean.org/storage/images/2012/Economic/AFTA/Common_Effective_Preferential_Tariff/Agreement%20on%20the%20Common%20Effective%20Preferential%20Tariff%20Scheme%20for%20the%20ASEAN%20Free%20Trade%20Area.pdf [<https://perma.cc/UKG3-REJC>].

⁸ ASEAN Trade in Goods Agreement (ATIGA), art. 8(d), Feb. 26, 2009, WIPO Lex. No. TRT/ASEAN/001, <http://investasean.asean.org/files/upload/Doc%2002%20-%20ATIGA.pdf> [<https://perma.cc/759U-6E44>] (stipulating that the protection and enforcement of IPRs may constitute a general exception to the prohibition to non-tariff barriers within ASEAN; ATIGA replaced the earlier CEPT-AFTA scheme signed in 1992).

⁹ ASEAN Framework Agreement on Intellectual Property Cooperation Bangkok, Thailand, Dec. 15, 1995, WIPO Lex. No. TRT/ASEAN-IP/001, https://asean.org/?static_post=asean-framework-agreement-on-intellectual-property-cooperation-bangkok-thailand-15-december-1995 [<https://perma.cc/3DLT-ZRYB>].

¹⁰ *Id.* art. 3(1).

¹¹ For an introduction of ASEAN IP initiatives, see Elizabeth Siew-Kuan Ng, *ASEAN IP Harmonization: Striking the Delicate Balance*, 25 PACE INT'L L. REV. 129, 137–160 (2013).

¹² ASEAN, Hanoi Plan of Action, 1997, https://asean.org/?static_post=hanoi-plan-of-action [<https://perma.cc/H9AT-DR9D>].

2010¹³ as part of the Vientiane Action Programme 2004–2010;¹⁴ Work Plan for ASEAN Cooperation on Copyright;¹⁵ ASEAN Intellectual Property Rights Action Plan 2011–2015;¹⁶ and the ASEAN Intellectual Property Rights Action Plan 2016–2025.¹⁷ ASEAN also addresses external cooperation with non-ASEAN countries and international organizations and established The ASEAN Working Group on Intellectual Property Cooperation (AWGIPC) in 1996 pursuant to the IP Framework Agreement. The AWGIPC serves as a consultative group and includes the IP offices of the ten ASEAN Member States.¹⁸

Even in light of all the progress detailed above, no harmonized substantive rules on IP rights have been adopted by ASEAN Members. Nonetheless, IP laws across ASEAN are largely harmonized, as ASEAN Members are part of the World Trade Organization (WTO) and have aligned their national laws with the principles set by the Agreement on the Trade Related Aspects to Intellectual Property Rights (TRIPS).¹⁹ In addition, with the exception of Myanmar, all ASEAN Members are members to the Paris Convention for the Protection of Industrial Property and to the Berne Convention for the Protection of Literary and Artistic Works, the two most relevant international agreements harmonizing national IP laws pre-TRIPS, which have also considerably harmonized

¹³ ASEAN Intellectual Property Rights Action Plan 2004–2010, https://asean.org/?static_post=asean-intellectual-property-right-action-plan-2004-2010 [<https://perma.cc/X7AR-JVV2>].

¹⁴ ASEAN, Vientiane Action Programme 2004–2010, 2004, <https://www.asean.org/uploads/archive/VAP-10th%20ASEAN%20Summit.pdf> [<https://perma.cc/HC7V-GF8K>].

¹⁵ ASEAN Secretariat, Work Plan for ASEAN Cooperation on Copyright, 2006.

¹⁶ ASEAN Secretariat, ASEAN IPR Action Plan 2011–2015, Aug. 11, 2011, <https://www.aseanip.org/Portals/0/PDF/ASEAN%20IPR%20Action%20Plan%202011-2015.pdf> [<https://perma.cc/F4FX-YL8B>].

¹⁷ The ASEAN Intellectual Property Rights Action Plan 2016–2025, Jan. 1, 2016, [https://www.aseanip.org/Portals/0/ASEAN%20IPR%20ACTION%20PLAN%202016-2025%20\(for%20public%20use\).pdf?ver=2017-12-05-095916-273](https://www.aseanip.org/Portals/0/ASEAN%20IPR%20ACTION%20PLAN%202016-2025%20(for%20public%20use).pdf?ver=2017-12-05-095916-273) [<https://perma.cc/34Q9-HVKH>].

¹⁸ *ASEAN Framework Agreement on Intellectual Property Cooperation*, ASEAN INTELL. PROP. PORTAL, <https://www.aseanip.org/about> [<https://perma.cc/XV4L-DZKQ>].

¹⁹ See Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments—Result of the Uruguay Rounds Vol. 31, 33 I.L.M. 83 [hereinafter TRIPS] (setting forth guidance on intellectual property rights).

substantive laws on IP across all members.²⁰ As of today, most ASEAN Members are also members of several other WIPO international agreements related to the harmonization of specialized IP rights or to the creation of consistent administrative procedures related to the filing, registration, etc. of IP rights.²¹

B. A Primer of Intellectual Property Exhaustion and the Lack of a Common Policy in ASEAN and World-Wide

Turning to the specific topic of this essay, even though a high degree of “indirect” harmonization of substantive and administrative norms regarding IP rights currently exist within ASEAN Members, this harmonization does not extend to domestic policies related to the principle of IP exhaustion. In particular, similar to other countries across the world (with the only exception of the EU), ASEAN Members have, as of today, neither adopted (nor discussed the adoption of) a common policy with respect to IP exhaustion nor ever discussed or contemplated the effects that their fragmented systems

²⁰ See Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as revised July 14, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305; The Berne Convention for the Protection of Literary and Artistic Works, Sept. 9 1886, as revised July 24, 1971, and as amended Sept. 28, 1979, 102 Stat. 2853, 1161 U.N.T.S. 3 (protecting industrial property such as patents and trademarks).

²¹ For example, Indonesia, Thailand, Singapore, Malaysia, Philippines, Vietnam, Cambodia, Myanmar, Brunei and Laos are members of the Patent Cooperation Treaty, Patent Cooperation Treaty, June 19, 1970, 28 U.S.T. 7645, 1160 U.N.T.S. 231; Singapore and Vietnam are members of the Madrid Protocol and Agreement, Madrid Agreement Concerning the International Registration of Marks, Apr. 14, 1891, 828 U.N.T.S. 389 and The Madrid Protocol Concerning the International Registration of Marks, June 27, 1989, World Intellectual Property Organization Doc. MM/DC/27 Rev. (1989); Singapore is a member of the Singapore Treaty, Singapore Treaty on the Law of Trademarks, Mar. 27, 2006, S. Treaty Doc. No. 110-2; Indonesia is a contracting party to the Trademark Law Treaty, Trademark Law Treaty, Oct. 27, 1994, S. Treaty Doc. No. 105-35, 2037 U.N.T.S. 35; Singapore, Cambodia and Brunei are members of the Hague Agreement, Agreement Concerning the International Deposit of Industrial Designs, Nov. 6, 1925, 74 L.N.T.S. 343, revised London, June 2, 1934, 205 L.N.T.S. 179, revised The Hague, Nov. 28, 1960; Draft New Act of the Hague Agreement Concerning the International Deposit of Industrial Designs, WIPO Doc. H/CE/VI/2; Indonesia, Thailand, Singapore, Philippines, and Cambodia are members of the Marrakesh VIP Treaty, Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled, June 27, 2013, 52 I.L.M. 1312; Indonesia, Singapore, Malaysia, Philippines, and Brunei are members of the WIPO Performances and Phonograms Treaty, WIPO Performances and Phonograms Treaty, December 20, 1996 CRNR/DC/95; and Singapore, Philippines, and Brunei are members of the Budapest Treaty, Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure, Apr. 28, 1977, 32 U.S.T. 1242, T.I.A.S. No. 9768.

in the context can have on the building of an ASEAN internal market and on the free movement of goods within ASEAN, which is supposed to be one of the pillars of the building of such market.²²

As I and other scholars have noted many times before, the principle of IP exhaustion is rooted in the idea that IP rights should not be used to control the distribution of a product, or a batch of products, after their first release into the market. Whether IP rights of genuine products are exhausted upon distribution only in the national market or also in foreign markets is the pressing question with respect to cross border and international trade, as there is an inherent tension between the enforcement of national IP rights, the principle of IP exhaustion, and the principle of free movement of goods in relation to cross-border trade.²³

More precisely, the adoption of one approach on exhaustion versus another—notably international versus national versus regional exhaustion—directly impacts the ability for importation/exportation of genuine goods across national border by third parties. Hence, the objective of free trade areas or customs unions is to promote the free movement of goods within their specific territory. As I have elaborated at length in my previous scholarship,²⁴ it was precisely for this reason that the EU adopted as a matter of EU law a common approach on IP exhaustion, lest a fragmented approach in this area would run against the principle of free movement of goods, which represents one of the fundamental freedoms that the EU aims at achieving and safeguarding.²⁵

In particular, nation states generally adopt one of three approaches: international, national, or regional exhaustion. Under the principle of *international* exhaustion, the rights of IP owners to control the further distribution of a good, or a batch of goods, exhaust after the first sale of the goods regardless of the country where this first sale has occurred.²⁶ Therefore, unauthorized imports in the

²² See *infra* Part III.

²³ See, e.g., the various contributions in RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS (Irene Calboli & Edward Lee eds., 2016).

²⁴ See, e.g., Irene Calboli, *Market Integration and (the Limits of) the First Sale Rule in North American and European Trademark Law*, 51 SANTA CLARA L. REV. 1241 (2011) [hereinafter Calboli, *Market Integration*].

²⁵ See, e.g., Irene Calboli, *Reviewing the (Shrinking) Principle of Trademark Exhaustion in the European Union (Ten Years Later)*, 16 MARQ. INTELL. PROP. L. REV. 257 (2012) [hereinafter Calboli, *Reviewing Trademark Exhaustion*].

²⁶ See, e.g., Calboli, *Market Integration*, *supra* note 24, at 1252–56.

jurisdictions following this principle are considered to be lawful. In contrast, under the principle of *national* exhaustion, the rights of IP owners are exhausted after the first sale of a good, or a batch of goods, only if this first sale has occurred in the national territory. In this approach, unauthorized imports can be stopped at the border or legitimately seized after importation on the basis of infringement, even though these goods are genuine goods.²⁷ Finally, under the principle of *regional* exhaustion, the rights of IP owners are exhausted after the first sale of a good, or a batch of goods, only if the sale has occurred in one of the member countries of a regional organization that follows this principle as a common rule for all members. Under this system, the imports of products originating from third countries remain unlawful and can be stopped as infringement. To date, regional exhaustion is the common policy adopted by EU Member States, reflecting the need to balance free movement of goods with IP protection and regional trade interests.²⁸

Hence, even though countries remain free to select their preferred approach regarding their domestic exhaustion policy, the only way to secure free movement of goods in a free trade area or regional organization is by limiting, amongst other trade-related barriers, the enforcement of national IP rights towards genuine goods.²⁹ To the contrary, in the absence of a common policy such a regional exhaustion, or in the absence of parallel domestic position favoring international exhaustion (by agreement or coincidence), goods cannot freely move across the regional territory, unless when these movements are authorized by the intellectual property owners.

Still, not adopting a common policy on the issue is not unique to ASEAN Members. With the exception of the EU, no international agreement indicates what domestic position individual countries should adopt in this respect. Moreover, TRIPS does not address the issue of IP exhaustion in the context of the harmonization of IP rights, as overtly emphasized in Article 6 of TRIPS.³⁰ As a result, without explicit direction to find a common policy, countries remain free to select their respective rules on IP exhaustion based on a variety of national interests, including the size of their markets and the level of development. In particular, countries tend to adopt the national

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

³⁰ TRIPS, *supra* note 19, art. 6.

policy that best promotes national interests by balancing the interests of (a) IP owners who desire control of cross-border trade of their products and the ability to set prices; (b) third party importers importing/exporting the goods that they lawfully purchased (generally in lower cost markets to be exported in higher cost markets); and (c) governments favoring either the protection of national markets and allowing price discrimination within these markets, or having an open market and international competition.

As I elaborate in the next Part, individual ASEAN Member's domestic policies on exhaustion seem to still consider national trade interests as a priority versus the building of an effective free movement of goods within ASEAN. National policies in this respect may change within time, however, as ASEAN Members' national economies will continue to grow, including regarding the development of domestic IP and innovation-intensive industries. This will put additional focus on ASEAN Members' respective domestic interests regarding regional and international trade, as these interests will also change and develop, and in turn changes may occur in the current domestic positions on IP exhaustion.

III. A SURVEY OF INTELLECTUAL PROPERTY EXHAUSTION RULES IN ASEAN MEMBERS STATES

A. Domestic Rules on Trademark Exhaustion in ASEAN Member States

As mentioned in Part II, no substantive harmonization of national trademark laws exists for ASEAN Members, including the principle of trademark exhaustion. In the absence of any fixed provision or guideline, ASEAN Members remain free to decide what system of trademark exhaustion they prefer to adopt domestically based on their respective national interests (or experience) on the issue, however inconsistent this may be. In particular, based on the survey of the current trademark laws, the exhaustion rules followed by ASEAN Members can be divided into several separate groups: Singapore, Vietnam, Malaysia, the Philippines and Thailand follow a system of international exhaustion through legislative provisions or case law; Myanmar also seems to follow international exhaustion in the new law on trademarks and geographical indications, which has been adopted by the legislatures in December 2018 and should be

enacted in early 2019; Cambodia and Lao PDR follow a system of national exhaustion based on legislative provisions that have not yet been applied by the courts; Indonesia and Brunei do not have a specific rule on exhaustion.

Notably, in Singapore, the Trade Marks Act³¹ excludes trademark infringement for products that have been distributed in the market “whether in Singapore or outside Singapore” with the “express or implied consent (conditional or otherwise)” of the trademark owners in Article 29(1).³² To avoid strategic assignment of trademarks, the imports are also permitted if the Singapore trademark and the foreign mark are owned by related entities and courts have ruled that the owner of the Singapore trademark would be deemed to have implicitly consented to the first sale of products abroad.³³ The exception to this rule applies when “the condition of the goods has been changed or impaired after they have been put on the market” or “the use of the registered trade mark in relation to those goods has caused dilution in an unfair manner of the distinctive character of the registered trade mark.”³⁴ In Singapore, courts have maintained consistency in admitting the import of genuine products.³⁵ Similarly, in Vietnam, Article 125 (2)(b) of the Intellectual Property Law³⁶ provides statutory support for the principle of international trademark exhaustion.³⁷ Remarkably, the provision does not address the issue of products of different quality but states that the following does not constitute infringement: “circulating, importing, exploiting utilities of products having been lawfully put on the market, including overseas markets, except for products put on the overseas markets not by the mark owners or their licensees.”³⁸

In Malaysia, the Trade Marks Act uses more convoluted language, providing a statutory exception against infringement for the imports of genuine goods, as opposed to a direct admission of

³¹ Trade Marks Act, ch. 332 (2005) (Sing.).

³² *Id.* § 29(1).

³³ Revlon Inc. v. Cripps & Lee Ltd. [1980] Fleet Street Reports 85 (C.A.).

³⁴ Trade Marks Act, *supra* note 31, at § 29; *See also* NG-LOY WEE LOON, INTELLECTUAL PROPERTY LAW OF SINGAPORE, 401–402 (2d ed., 2014).

³⁵ *See* NG-LOY, *supra* note 34, at 400.

³⁶ Law No. 50/2005/QH11 of 2005, on Intellectual Property (Nov. 29, 2005) (Viet.).

³⁷ *Id.* art. 125(2)(b).

³⁸ *Id.*

imports.³⁹ In particular, Section 40(1)(d) provides that it does not constitute infringement to use a mark (protected in Malaysia) with respect to products “connected in the course of trade” with the trademark owners as long as the trademark “has not subsequently removed or obliterated it.”⁴⁰ Moreover, the judiciary in Malaysia has clearly embraced the application of the principle of international trademark exhaustion in the Panadol case.⁴¹ In this case, the court held that the parallel imports of goods sharing a common origin should be allowed to enter the country.⁴² Nevertheless, this is the only case dealing with the issue of trademark exhaustion in Malaysia to date, and the court did not address the parallel importation of goods of different origins or with materially different qualities.⁴³

To conclude the survey of countries directly addressing the issues, Myanmar did not have a law on trademarks and thus did not regulate the issue of exhaustion, until very recently. However, a new trademark law draft was finally adopted in December 2018 by the legislature. This law has been enacted in early 2019. As reported by the International Trademark Association (INTA), article 41 of the new Myanmar Trademark Law adopts the principle of international exhaustion while article 42 “prevents the importation of goods which have been altered after their initial sale.”⁴⁴

In contrast, the Philippines Intellectual Property Code does not explicitly include a provision on exhaustion.⁴⁵ According to Article 166, importation of an article into the Philippines, which copies or simulates a mark registered in the Philippines, is an infringement.⁴⁶ Since parallel imports involve genuine products—while the provision refers to counterfeits or infringing products—it is

³⁹ Trade Marks Act 1976, Act 175, (June 21, 1976) (amended by ACT A1138 OF 2002) (Malay.).

⁴⁰ *Id.* § 40(1)(d).

⁴¹ *Winthrop Products Inc. & Anor v. Sun Ocean (M) Sdn Bhd & Anor*, 2 M.L.J. 317 (1988).

⁴² *Id.*

⁴³ LAZAROS G. GRIGORIADIS, *TRADE MARKS AND FREE TRADE: A GLOBAL ANALYSIS* 483 (2014).

⁴⁴ International Trademark Association, Comments by the International Trademark Association on the Myanmar Draft Trademark Law, www.inta.org/advocacy/documents/january82013comments.pdf [https://perma.cc/QJ8A-GAJN].

⁴⁵ Intellectual Property Code of the Philippines, Rep. Act No. 8293 (June 6, 1997) (Phil.) *as amended by* Implementing Rules and Regulations of the Rep. Act No. 9502 of 2008 (July 4, 2008) (Phil.) *as amended by* Rep. Act No. 10372 (Feb. 28, 2013) (Phil.).

⁴⁶ *Id.* art. 166.

supported that the principle of international exhaustion applies to the importation of genuine goods, even though the term is not explicitly mentioned. In addition, neither the Intellectual Property Code of the Philippines nor the Philippine courts have addressed the issues relating to goods of materially different qualities for different markets thus far. Similarly, Thailand also has no express legislation regarding the exhaustion of trademark rights.⁴⁷ Nevertheless, the Thai Central Intellectual Property and International Trade Court⁴⁸ and the Thai Supreme Court have embraced international trademark exhaustion in their decisions.⁴⁹ In particular, a 1999 decision stated the Thai Central Intellectual Property and International Trade Court allowed the parallel import of genuine goods bearing the same mark from Singapore to Thailand, stating trademark rights are internationally exhausted because trademark owners have already fairly received rewards from the first sale of the goods. This decision was affirmed by the Supreme People's Court of Thailand in 2000.⁵⁰

On the other hand, Cambodia and Lao PDR both adopted a system of national trademark exhaustion. Article 11(c) of the Cambodian Law⁵¹ provides that “[t]he rights conferred by registration of a mark shall not extend to acts in respect of articles which have been put on the market in the Kingdom of Cambodia by the registered owner or with his consent.”⁵² Similarly, Lao PDR's Law on Intellectual Property states,⁵³ in Article 57(3)(1), that “no individual or organization . . . [other] than the trademark owner” is entitled to undertake any activity or act as described in paragraph 1 of the Law of Lao PDR without the authorization of the trademark owner, “except as otherwise provided in this Law”⁵⁴ and “any such

⁴⁷ Trademark Act B.E. 2543, § 44 (1991) (consolidated as of 2000) *as amended* up to Trademark Act (No. 3) B.E. 2559 (2016) (Thai.). See Vichai Ariyanuntaka, *Exhaustion and Parallel Imports in Thailand*, in *PARALLEL IMPORTS IN ASIA* 98–100 (Christopher Heath ed., 2004).

⁴⁸ Thailand Central Intellectual Property and International Trade Court Decision, No. 16/2542 (1999).

⁴⁹ Thailand Supreme Court Decision, No. 2817/2543 (2000).

⁵⁰ Thailand Supreme Court Decision affirmed *Decision No. 16/2542* (1999) in decision No. 2817/2543 (2000).

⁵¹ Law Concerning Marks, Trade Names and Acts of Unfair Competition of the Kingdom of Cambodia, WIPO Lex No. KH001 (2002) (Cambodia).

⁵² GRIGORIADIS, *supra* note 43, at 488.

⁵³ Lao People's Democratic Republic Intellectual Property Laws, Law No. 01/NA, (Dec. 20, 2011) (Lao).

⁵⁴ *Id.* art. 57(3)(1).

acts without authorization shall be considered to be an act of infringement.”⁵⁵ Based on the language of these provisions, Lao PDR seems to forbid parallel imports.

Finally, Indonesia and Brunei Darussalam do not seem to have adopted any relevant statutory provision to date on trademark exhaustion and no judicial decision on the issue can be found so far in either country. For Indonesia, this position is further reinforced by the absence of any specific provision in the new law on trademarks in Indonesia adopted in 2016.⁵⁶ On one hand, it appears that Indonesia admits imports from both other ASEAN members and foreign jurisdictions. On the other hand, based on the current provision of Article 94 on injunctions, the opposite could also be supported, and the trademark owner or its licensee could claim trademark infringement based on the importation of genuine goods.⁵⁷ Further, in Brunei, the statutory language does not specifically make provisions for trademark exhaustion and parallel imports.⁵⁸ However, based on the language of Section 82(5) of the Trade Marks Act, it seems imports are allowed for goods bearing the trade mark which has been put in any country “other than Brunei Darussalam by or with the approval of the proprietor” of the registered trademark.⁵⁹

B. Domestic Rules on Patent Exhaustion in ASEAN Member States

Similar to trademark law, the ASEAN cooperation regarding patent rights has not led to substantive harmonization yet, including regarding the principle of exhaustion, even though it seems that the majority of countries prefer a system of international exhaustion either explicitly or implicitly. In particular, the analysis of current patent laws shows the exhaustion rules followed by ASEAN Members can be divided as follows: countries that adopt a system of international exhaustion through legislative provisions or case law, namely Cambodia, Malaysia, Vietnam, and Singapore; countries that adopt a system of national exhaustion based on legislative provisions, such as Indonesia and the Philippines; and countries that do not have

⁵⁵ *Id.*

⁵⁶ Law on Trade Marks and Geographical Indications, Law No. 20, (2016) (Indon.).

⁵⁷ *Id.* art. 94.

⁵⁸ Trade Marks Act, ch. 98 (2000) (Brunei).

⁵⁹ *Id.* § 82(5).

a specific rule on exhaustion, namely Brunei, Lao P.D.R., and Thailand (or in the case of Myanmar, no patent law is enacted in the country at this time). In addition, a fourth sub-group can be identified based on the treatment of pharmaceutical products, namely Singapore, Indonesia, and the Philippines. Singapore follows a de facto system of national exhaustion if the resale is prohibited by contract, while Indonesia and the Philippines adopt international exhaustion.

In particular, in Cambodia, Article 44 of the Law on the Patents, Utility Model Certificates and Industrial Designs⁶⁰ states patent rights do not extend to acts related to “articles which have been put on the market in the Kingdom of Cambodia or outside the Kingdom of Cambodia by the owner of the patent or with his consent . . .”⁶¹ To date, no case has been decided regarding parallel imports into Cambodia. Likewise, Section 58A of the Patents Act of Malaysia⁶² provides it is not an infringement “to import, offer for sale, sell or use” any of the following: “any patented product” or “any product obtained directly by means of the patented process or to which the patented process has been applied, which is produced by, or with the consent, conditional or otherwise, of the owner of the patent or his licensee⁶³ The provision additionally clarifies that “patent” “includes a patent granted in any country outside Malaysia in respect of the same or essentially the same invention as that for which a patent is granted under this Act.”⁶⁴ This provision was first introduced into the Malaysian Patents Act by the Patents (Amendment) Act of 2000, prompted by concerns regarding the AIDS/HIV pandemic in the late 1990s and the related need to access affordable medicines.⁶⁵ Similarly, in Vietnam, the Intellectual Property Law⁶⁶ permits the circulation, importation and exploitation of utilities of products that have been lawfully put on the market, including overseas markets in Article 125(2)(b), except for products put on overseas markets without the mark owners’ or their licensees’

⁶⁰ Law on Patents, Utility Models and Industrial Designs (2003) (Cambodia).

⁶¹ *Id.* art. 44.

⁶² Patents Act, Act 291 (1983), *as amended* by the Patents (Amendment) Act, Act A1264 (2006) (Malay.).

⁶³ *Id.* § 58A.

⁶⁴ *Id.*

⁶⁵ See John Chong, *Exhaustion and Parallel Imports in Malaysia*, in *PARALLEL IMPORTS IN ASIA* 13335 (Christopher Heath ed., 2004).

⁶⁶ Law on Intellectual Property, No. 50/2005/QH11, (Nov. 29, 2005) (Viet.).

consent.⁶⁷ No judicial decision in this area has been adopted in Vietnam to date.

Singapore also follows international exhaustion in patent law.⁶⁸ Section 66(2)(g) of the Patents Act states, in particular, that it is not infringement of a patent to import into Singapore a patented product or a product obtained by means of a patented process or to which a patented process has been applied, if the products “was produced by or with the consent (conditional or otherwise) of the patent proprietor” or any of his licensees.⁶⁹ For this purpose, a “patent” is defined to include a patent granted in any country outside Singapore for the same or substantially the same invention for which the original patent is granted. Singapore also applies the concept of “deemed consent,” meaning any condition restricting the resale of the product outside the territory of manufacturing or first sale shall not be considered in determining whether the product was produced with consent. The same applies to the conditions imposed into licensing agreements.⁷⁰ However, Singapore follows a stricter approach regarding pharmaceuticals. First, Singapore follows the “first mover advantage” principle, meaning imports of patented pharmaceuticals are not allowed if the products have not been previously sold or distributed in Singapore by the patent owner or with her consent. Second, imports can still be blocked when the pharmaceuticals have been imported as a result from a contract breach between the patent owner and her licensees, whether inside or outside Singapore.⁷¹

Indonesia and the Philippines are the two ASEAN Members that follow an explicit system of national exhaustion with a specific exception for the imports regarding pharmaceutical products. Specifically, the 2016 Patent Law of Indonesia⁷² grants patent owners the exclusive right to prohibit other parties, *inter alia*, from “importing” the patent products or the products derived from the patented products.⁷³ Third, parties may still import these products for the purpose of “research, experiment, or analysis” when the use would not prejudice the interest of patent holders and is non-

⁶⁷ *Id.* art. 125(2)(b).

⁶⁸ Patents Act, ch. 221 (2005) (Sing.).

⁶⁹ *Id.* § 66(2)(g).

⁷⁰ *Id.* § 51(1)(c).

⁷¹ *Id.* § 66(3).

⁷² Law of the Republic of Indonesia, No. 13 (July 28, 2016), on Patents (Indon.).

⁷³ *Id.* art. 19(1)-(2), art. 160.

commercial.⁷⁴ More generally, Article 167 provides the general prohibition against imports does not apply to imports of patented pharmaceuticals that were lawfully marketed outside Indonesia.⁷⁵ This exception is based directly on the need to “to ensure a reasonable price and satisfy the justice of a pharmaceutical product is necessary for human health.”⁷⁶ Similarly, the Philippine Intellectual Property Code⁷⁷ grants the patentee exclusive rights in Section 71, including the right of “selling or importing” the patented product or products obtained directly or indirectly from a patented process.⁷⁸ Moreover, Section 72(1) states patent owners cannot prevent third parties, without authorization, from “using a patented product which has been put on the market in the Philippines by the owner of the product, or with his express consent.”⁷⁹ Because of these provisions, this principle does not apply in the case of pharmaceuticals. In particular, Section 72(1) clarifies that, regarding “drugs and medicines” “the limitation on patent rights shall apply after a drug or medicine has been introduced in the Philippines or anywhere else in the world by the patent owner, or by any party authorized to use the invention.” Moreover, the provision continues, “the right to import the drugs and medicines contemplated in this section shall be available to any government agency or any private third party.”⁸⁰

Last, Brunei,⁸¹ Lao PDR,⁸² and Thailand belong to the category of countries without specific rules on patent exhaustion.⁸³ In these countries, the contents of the signed contracts between the parties may determine whether the parallel importation of genuine products that were sold overseas with the proprietors’ consent constituted infringement. These countries generally strive to ensure access to affordable pharmaceutical products for their citizens. Thus, it could be speculated that courts in these countries may rule in favor

⁷⁴ *Id.* art. 19(3).

⁷⁵ *Id.* art. 167.

⁷⁶ See *Id.* explanation to art. 167.

⁷⁷ Intellectual Property Code of the Philippines, Rep. Act No. 8293 (1997), *as amended* by the Rep. Act No. 10372 (2013) (Phil.).

⁷⁸ *Id.* § 72.1.

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ Constitution of Brunei Darussalalm, Patents Order (Oct. 17, 2011) (Brunei).

⁸² Lao People’s Democratic Republic Law on Intellectual Property, Law No. 01/NA (amended) (2011) (Lao).

⁸³ Patent Act B.E. 2522 (1979), as amended by the Patent Act (No. 2) B.E. 2535 (1992) and the Patent Act (No. 3) B.E. 2542 (1999) (Thai.).

of international patent exhaustion should there be a case over the lawful or unlawful nature of parallel imported pharmaceutical products. Finally, Myanmar does not have an applicable patent law, even though the Burma Patents and Designs (Emergency Provisions) Act 1946 came into force in 1993.⁸⁴ In 2015, the government of Myanmar published a New Draft Patent Law, which is still pending for approval. The new law includes procedural and substantive provisions. However, it remains unclear how or if the principle of patent exhaustion will be addressed in the new law.

C. Domestic Rules on Copyright Exhaustion in ASEAN Member States

Regarding copyright, ASEAN Members again follow diverse positions on exhaustion. To date, ASEAN Members' positions can be divided into the following groups: Singapore, which follows a system of international exhaustion through explicit legislative provisions, and countries that follow national exhaustion based on legislative provisions or interpretation thereof, such as Cambodia, Lao PDR, Vietnam, and Malaysia; countries that do not have a specific rule on exhaustion but could be seen as supporting national exhaustion, namely the Philippines and Myanmar (which still apply the colonial copyright law); and countries without a clear policy altogether, namely Brunei, Indonesia, and Thailand.

Initially, Singapore's treatment of copyright exhaustion was unclear. In particular, Sections 32 and 104 of the Copyright Act⁸⁵ state that copyright infringement occurs with the "importation for the purpose of sale or hire and other commercial activity" of an article for which "the importer knows or ought reasonably to know that the making of the article was carried out without the *consent* of the owner of the copyright."⁸⁶ Based on this language, it was initially unclear which "consent" the provision referred to, that of the copyright owner in Singapore or the copyright owner in the country where the products

⁸⁴ Patents and Designs (Emergency Provisions) Act, WIPO Lex No. MM005 (1946) (Myan.).

⁸⁵ Copyright Act, ch. 63 (2006) (Sing.).

⁸⁶ *Id.* §§ 32, 104; *Public Prosecutor v. Teo Ai Nee*, 3 S.L.R.(R.) 755 (1993) (finding that, under section 25(2), the consent relevant to assess whether the copyright owner had consented to the distribution of the products was the consent of the copyright owner in Singapore; the same applied to the interpretation of consent with respect to the manufacturing of the products).

were first put into the market (in the instances of separate ownership). The Copyright Act was amended in 1994 in order to clarify the meaning of the provisions and specific language was added to clarify that “the reference to the owner of the copyright” indicates “the person entitled to the copyright in respect of its application to the making of an article of that description in the country where the article was made” even if the same person did not own the copyright in Singapore.⁸⁷ In other words, the statute’s language was amended to clarify Singapore supports international copyright exhaustion. The 1994 Amendment Act also clarified that the existence of copyright owners’ consent is determined without regard to any “condition as to the sale, distribution or other dealings in the article after its making.”⁸⁸

In contrast, Cambodia’s Law on Copyrights and Related Rights provides for a system of national exhaustion.⁸⁹ Article 21 states that “the author has exclusive right to act by him/herself or authorize someone to the following,” which include “(d) [p]ublic distribution by sale, rental of the original or a copy of the work that has not already been subject to a sale or transfer of ownership authorized by the owner of copyright” and “(e) [i]mportation into the country, the reproduction copies of his/her works.”⁹⁰ Similarly, Article 98 of the IP Laws of Lao PDR⁹¹ states the author or copyright owner “shall have the exclusive right to carry out or authorize the importation or exportation of the original or any copy of the work.”⁹² The provision clarifies that “[t]his right shall not extend to prevent the subsequent importation or exportation of an original or copy that was legally acquired with the authorization of the owner of copyright or related rights.” Yet, it is unclear if this language could be interpreted as permitting as lawful the importation into Lao PDR of genuine copies of works legally acquired outside the country.⁹³ An interpretation in favor of national exhaustion seems to be supported also by the fact that the same Article 98 explicitly provides that the author or copyright owner “shall have the exclusive right to carry out

⁸⁷ Copyright Act, § 25(3) (2006) (Sing.).

⁸⁸ *Id.* § 25(4).

⁸⁹ Law on Copyrights and Related Rights, WIPO Lex No. KH003 (2003) (Cambodia).

⁹⁰ *Id.* §3 art. 21.

⁹¹ Lao People’s Democratic Republic Law on Intellectual Property, Law No. 01/NA (amended) (2011) (Lao).

⁹² *Id.* pt. 4, art. 98.

⁹³ *Id.*

or authorize or prohibit . . . 2. the importation into the Lao PDR of copies of a sound recording, regardless of whether such copies have been placed on the market by the relevant right holder.”⁹⁴ Finally, Article 98 additionally grants the author or copyright owner of several type of works the exclusive right of reproducing these works in any manner or form including distribution of copies of such works.⁹⁵ The same applies in Vietnam, where the Law on Intellectual Property⁹⁶ provides that the authors shall have exclusive rights to “distribute or import original works or copies thereof.”⁹⁷ The principle of national exhaustion is further confirmed under Article 28, which specifies that the acts of “exporting, importing or distributing copies of works without permission of copyright holders” constitute copyright infringement.⁹⁸

In Malaysia, the leading interpretation also favors national exhaustion. Section 36(2) of the Copyright Act provides that the “[c]opyright is infringed by any person who, without the consent or license of the owner of the copyright, imports an article into Malaysia for the purpose of . . . (b) distributing the article . . . (c) by way of trade, exhibiting the article in public, where he knows or ought reasonably to know that the making of the article was carried out without the consent or of the owner of the copyright.”⁹⁹ Moreover, Section 13(1)(e) grants copyright owners the exclusive right to the “distribution of copies to the public by sale or other transfer of ownership.”¹⁰⁰ The Copyright Amendment Act of 2000 additionally clarified that “the exclusive right to control the distribution of copies refer only to the act of putting into circulation copies not previously put into circulation in Malaysia and not to any subsequent distribution of those copies or any subsequent importation of those copies into Malaysia.”¹⁰¹ A similar conclusion applies in the Philippines. While the Intellectual Property Code does not include “importation” as part of the exclusive rights granted to copyright owners, Section 177(3) provides that copyright owners can control “first public distribution

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ Law on Intellectual Property, No. 50/2005/QH11 (Nov. 29, 2005) (Viet.).

⁹⁷ *Id.* ch.2 §1 art. 20.

⁹⁸ *Id.* ch.2 §1 art. 28.

⁹⁹ Copyright Act 1987, Act 332, pt. 6 § 36 (Jan. 1 2006) (Malay.).

¹⁰⁰ *Id.* pt. 3 § 13(1)(e).

¹⁰¹ *Id.* pt. 3 § 13(1)(f). *See also* Class One Video Distributors Sdn Bhd & Anor v. Chanan Singh a/l Sher Singh & Anor, 5 M.L.J. 209 (1997) (Malay.).

of the original and each copy of the work by sale or other forms of transfer of ownership.”¹⁰² Once again, the provision does not differentiate between products that have been first distributed in foreign countries and those that have been distributed in the Philippines, perhaps suggesting the distribution rights would be exhausted after the first distribution anywhere. Moreover, the text of Section 190 of the Code, which offered a detailed list of exceptions to this general rule under the heading “Importation for Personal Purposes,” was amended in 2013, and the new text of Section 190 eliminated this exception.¹⁰³ Instead, under the title “Importation and Exportation of Infringing Materials” the new provisions states that Customs can make and enforce regulations for “preventing the importation of infringing articles prohibited under . . . this Act and under relevant treaties and conventions . . . and for seizing and condemning and disposing of the same in case they are discovered after they have been imported or before they are exported.”¹⁰⁴

In Myanmar, the 1914 Copyright Law of Burma is still the applicable national law.¹⁰⁵ This legislation is modeled after the 1911 Copyright Act of the United Kingdom and refers to the 1911 Act in its Annexes.¹⁰⁶ Under Section 6, the copyright owner has the power to control the importation of copyrighted articles into Burma, implying a system of national copyright exhaustion.¹⁰⁷ The Act also refers to Section 2(2) of the 1911 Copyright Act, which states any person who either distributes, for the purposes of trade or to such an extent to prejudicially affect the owner of the copyright, or imports for sale or hire, any work which she knows to infringe a copyright, may commit copyright infringement.¹⁰⁸ Hence, a similar position seems to be adopted in the 2015 draft of a new copyright law currently under review in Myanmar. And while the English summary of the draft indicates the law would be modified so as to guarantee

¹⁰² Intellectual Property Code of the Philippines, Rep. Act No. 8293, ch.5 §177.3 (Jan. 1, 1998) (Phil.).

¹⁰³ See Rep. Act No. 10372 (Phil.), available at <http://pnl-law.com/blog/republic-act-10372-amending-the-intellectual-property-code-of-the-philippines-ra-8293/> [<https://perma.cc/GCV9-586U>] (amending the Intellectual Property Code of the Philippines).

¹⁰⁴ *Id.* § 190.

¹⁰⁵ The Burma Copyright Act (Myan.).

¹⁰⁶ Copyright Act of 1911 (U.K); Copyright Act of 1911 (Myan.).

¹⁰⁷ Copyright Law of Burma, § 6 (1914).

¹⁰⁸ Copyright Act of 1911, § 2(2) (UK).

that international exhaustion applies to works imported by a natural person for personal purposes evidence shows national exhaustion will continue to apply.¹⁰⁹

Finally, Indonesia's law remains ambiguous. Under the revised Copyright Law of 2014,¹¹⁰ no specific right of importation for authors or copyright owners is mentioned. Nonetheless, Article 9(1)(e) explicitly states the author or owner of copyright has the right to distribute the work or a copy of it.¹¹¹ However, this principle is limited by Article 11, which provides the economic rights to perform the work or the distribution of copies as referred to in Article 9(1)(e) do not apply to the works or the copies that have been sold or have transferred ownership. Still, the provision is not clear on whether the right of distribution is exhausted by the first sale or transfer in Indonesia or in a foreign country. To date, no judicial decision seems to opine on this point. Similarly, in Thailand, under the Copyright Act¹¹² there is also no specific right to import or distribute the copyrighted work or copy of it, even though Section 15 mentions the right of "communication to the public," which may include the right of distribution.¹¹³ Moreover, even though Section 31 states that "whoever knows or should have known that a work is made by infringing the copyright of another person" and imports such works into the country is infringing copyright under section 31(4),¹¹⁴ this provision could be referring to counterfeit products as opposed to genuine imports. This position seems to be corroborated by the new Section 32(1),¹¹⁵ which, based on the unofficial translation of the Act, reads "[the s]ale of an original or copy of a copyright work by a person legally acquiring ownership of the original or the copy of such copyright work shall not be deemed a copyright infringement."¹¹⁶ Last, in Brunei, exclusive rights are granted to copyright owners "to issue copies of the work to the public" via the language of Article

¹⁰⁹ See *Draft Myanmar Copyright Law*, KYEMON NEWSPAPER (THE MIRROR), July 9, 2015 (accessed Dec. 12, 2017).

¹¹⁰ Law of the Republic of Indonesia, No. 28 (Sept. 16, 2014) (Indon.).

¹¹¹ *Id.* art. 9(1)(e).

¹¹² Copyright Act B.E. 2537 (1994) (Thai.).

¹¹³ *Id.* § 15.

¹¹⁴ *Id.* § 31.

¹¹⁵ Copyright Act (No. 2) B. E. 2558 (2015) (Thai.).

¹¹⁶ See the unofficial translation of the amendments to the Copyright Act of 1994 in Thailand, *available at* [http://web.krisdika.go.th/data/outsitedata/outside21/file/COPYRIGHTACT_\(NO.2\),_B.E._2558_\(2015\).pdf](http://web.krisdika.go.th/data/outsitedata/outside21/file/COPYRIGHTACT_(NO.2),_B.E._2558_(2015).pdf), [<https://perma.cc/W5JZ-MRA2>].

18(1)(b) of the Emergency (Copyright) Order.¹¹⁷ Article 20 further clarifies that “(1) [t]he issue to the public of copies of a work is an act restricted by the copyright” and that “(2) [r]eferences . . . to the issue to the public of copies of a work are to the act of putting into circulation copies not previously put into circulation, whether in Brunei Darussalam or elsewhere.”¹¹⁸ However, the provision specifies this does not apply to the following “(a) any subsequent distribution, sale, hire or loan of those copies; or (b) any subsequent importation of those copies.”¹¹⁹ By reading the language of the provisions, an argument that parallel imports fall within the exception to the application of Article 18 as per the wording of Article 20(2)(a) and (b) can be made. The ultimate position on whether Brunei adopts a system of international or national copyright exhaustion remains in the hands of the judiciary and legislative authority. To date, there is no precedent in Brunei.

IV. SHOULD INTERNATIONAL EXHAUSTION BE THE WAY FORWARD FOR ASEAN? THE NEED AND THE COSTS OF UNIFORMITY AND HOW ONE SIZE MAY NOT FIT ALL

As I mentioned in the Introduction, the above survey indicates inconsistencies continue to exist for trademark, patent, and copyright exhaustion in different ASEAN Members. Divergences further exist in domestic policies on exhaustion with respect to specific rights—i.e., differences in the treatment of trademark, patent, and copyright exhaustion—with the same ASEAN Members. For example, Cambodia, Lao P.D.R., Malaysia, and others apply different policies on exhaustions based on the type of right at issue. These differences are relevant as commercial goods are often protected under more than one type of IP right, and thus inconsistent domestic IP exhaustion policies may result in IP owners leveraging one type of right to block the import of genuine goods into the national market.¹²⁰ The table

¹¹⁷ Constitution of Brunei Darussalam, Order under § 83(3), Emergency (Copyright) Order (1999) (Brunei).

¹¹⁸ *Id.* art. 20(1).

¹¹⁹ *Id.*

¹²⁰ See Irene Calboli & Mary LaFrance, *The Case for a Legislative Amendment Against “Accessory Copyright” for Gray Market Products: What Can the U.S. Learn from Singapore and Australia?*, 2013 SING. J. LEGAL STUD. 253 (2013); Irene Calboli, *Corporate Strategies, First Sale Rule, and Copyright Misuse: Waiting for Answers from Kirtsaeng v. Wiley and*

below highlights again the current national policies on IP exhaustion by ASEAN Members:

Country	Trademark Exhaustion	Patent Exhaustion	Copyright Exhaustion
Brunei	Not Defined	Not Defined	Not Defined
Cambodia	National	International	National
Indonesia	Not Defined	National (except pharmaceutical)	Not Defined
Lao PDR	National	Not Defined	National
Malaysia	International	International	National
Myanmar	International	No Applicable Law	Likely National
Philippines	International	National (except pharmaceutical)	National
Singapore	International	International (except pharmaceutical)	International
Thailand	International	Not Defined	Not Defined
Vietnam	International	International	National

Certainly several (and possibly very legitimate) reasons for these national divergences may exist which could be based on the current status of development and the domestic trade policies of individual ASEAN Members, including free trade agreement with non-ASEAN countries. As mentioned in Part II, IP exhaustion regulation remains a delicate topic across many sovereign states, since regulating the enforcement of national IP rights may have very relevant national trade policy implications.¹²¹ Thus, it is common for members of free trade agreements and free trade areas to ignore this issue unless the intention is to promote free movement of goods within the free trade areas, as it is the case, to date, only in the EU.¹²²

In particular, as much as within ASEAN members as amongst other countries, some members of a free trade area or custom unions may remain opposed to a full-scale market integration. In particular, some of the members of a free trade area or custom union may still

Omega v. Costco (II), 11 NW. J. TECH. & INTELL. PROP. 221 (2013) (suggesting that US law provide a copyright protection exception for certain parallel imports).

¹²¹ See *supra* Part II.

¹²² North American Free Trade Agreement (NAFTA), art. 1704, Dec. 17, 1992, 107 Stat. 2057, 32 I.L.M. 289 (1993) [hereinafter NAFTA]; Trans-Pacific Partnership Agreement, art. 18.11, Oct. 5, 2015, available at <https://ustr.gov/sites/default/files/TPP-Final-Text-Intellectual-Property.pdf> [<https://perma.cc/WR5A-RMXU>]; Regional Comprehensive Economic Partnership (RCEP), art. XX, Oct. 15, 2015, available at <https://www.bilaterals.org/?rcep-draft-ip-chapter-15-oct-2015> [<https://perma.cc/7ZZ9-FWU7>].

view a lower level of market integration as more advantageous than full scale internal market based on national interests and based on their respective level of economic development, market size, and type of domestic industries, notably based on whether national industries are IP intensive industries or not. In other words, many countries may (legitimately) prioritize protecting their domestic markets from foreign imports, and thus may prefer a system of national exhaustion, while other countries may prioritize allowing a larger number of foreign products into their markets, and thus may opt for a system of international exhaustion. Moreover, national patent exhaustion and international trademark exhaustion may be preferable in countries with strong patent- and technology-driven industries but less strong trademark-intensive industries. In contrast, countries with trademark or copyright-intensive industries but without a strong technology-driven industry may prefer national trademark and copyright exhaustion and international patent exhaustion. And of course, no one size rule on IP exhaustion may satisfy all different types of national economic interests, also amongst the members of a free trade area or custom union.

For example, in the mid-1990's NAFTA members decided to join in a free trade area for reasons other than to create an internal market.¹²³ Notably, the U.S. and Canada joined NAFTA primarily to produce at lower costs in Mexico (and import back or sell internationally products manufactured at lower costs) while Mexico joined primarily as a source of foreign direct investment from the U.S. and Canada.¹²⁴ Thus, like TRIPS Members, NAFTA members harmonize several intellectual property standards but have not harmonized their national rules on exhaustion.¹²⁵ It is fortuitous coincidence that NAFTA members consistently practice international trademark¹²⁶ and copyright exhaustion (with some exceptions in

¹²³ NAFTA, *supra* note 122, art. 1701(1).

¹²⁴ See Calboli, *Market Integration*, *supra* note 24, at 1256 (comparing NAFTA with free trade and trademark law involving the European Union).

¹²⁵ See Kenneth W. Abbott & Gregory W. Bowman, *Economic Integration in the Americas: A Work in Progress*, 14 NW. J. INT'L. L. & BUS. 493, 493-96 (1994) (discussing the 1990 initiation of NAFTA negotiations between the United States and Mexico); Richard Bernal, *Regional Trade Arrangements in the Western Hemisphere*, 8 AM. U. J. INT'L L. & POL'Y 683, 697 (1993) (discussing the proposal of NAFTA in the 1990s).

¹²⁶ NAFTA, *supra* note 122, art. 102 ("the objectives of this Agreement . . . are to . . . eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties . . . promote conditions of fair competition in the free trade area"). *Id.*

Canada for books), which permit parallel imports within their respective territories.¹²⁷ Yet, NAFTA Members still differ on their domestic treatment of patent exhaustion, as Mexico practices national patent exhaustion while the U.S. and Canada follow international patent exhaustion.¹²⁸ The NAFTA model—i.e., the choice of silence on the issue of IP exhaustion as part of the agreement, like in TRIPS—has served as the model for other worldwide free trade agreements, in which some countries seek cheaper production costs while others seek foreign direct investments and market access.

Hence, free trade areas or regional organizations that would like (or state that they would like) to create an internal market can realize effective free trade only by limiting the domestic enforcement of IP rights when this enforcement can represent a barrier to legitimate trade, as well as other trade-related barriers. This includes a system of national exhaustion of IP rights be implemented, as this principle necessarily translates to legally preventing the import of genuine products from other countries (including those that are members of the same area or organization), thus blocking the free movement of goods. As a result, members of a free trade area or regional organization which desire to effectively build an internal market need to decide whether they intend to enforce the legal conditions necessary so all goods, including goods covered by existing IP rights, can freely move across their territory. In particular, these conditions need to include the adoption of one of two possible approaches on IP exhaustion: either a system of regional or international exhaustion, applied consistently (1) by all country members of the free trade area or regional organization, or (2) for all types of IP rights to prevent IP owners leveraging restrictive provisions on one type of rights when multiple rights can be used to protect a product (or different part of it).

In this context, the process of market integration of the EU (which today extends to the European Economic Area, EEA) can be taken as a useful example. EU/EEA Members decided to harmonize their national policies on exhaustion and adopted similar standards to

¹²⁷ Pierre-Emmanuel Moyse, *Canadian Colonial Copyright: The Colony Strikes Back*, in *AN EMERGING INTELLECTUAL PROPERTY PARADIGM, PERSPECTIVES FROM CANADA* 107 (Ysolde Gendreau ed., 2008).

¹²⁸ *Impression Products, Inc. v. Lexmark International, Inc.*, 581 U.S. ____ (2017); *Eli Lilly & Co. v. Novopharm Ltd.*, [1998] 2 S.C.R. 129 (Can.).

remove any disguised barriers to effective intra-EU/EEA trade.¹²⁹ The only ways to supersede this principle are very serious concerns relating to health, security, or public policy in member countries.¹³⁰ Several leading cases by the ECJ (and later CJEU) assisted in settling uncertainties, and in most instances, the CJEU prioritized the free movement of goods versus the exercise of IP rights.¹³¹ Nevertheless this full-force integration of markets does not extend beyond the territory of the EU/EE. EU/EEA Members decided to adopt regional exhaustion, therefore genuine products coming from outside the EU/EEA can be legally stopped at the will of trademark owners as trademark infringement.¹³²

To date, as I have described above, ASEAN Members seem to adopt a principle that is mid-way between EU/EEA and NAFTA Members. Notably, ASEAN Members have already taken important steps toward creating an internal market through AFTA and the ASEAN Blue Print. The latter specifically states that the “[f]ree flow of goods is one of the principal means by which the aims of a single market and production base can be achieved.”¹³³ Still, the level of

¹²⁹ Article 34 of the Consolidated Version of the Treaty on the Functioning of the European Union, 2010 O.J. (C 83) (Mar. 30, 2010) as amended following the entering into force of the Treaty of Lisbon on December 1, 2009. Treaty of Lisbon, 2007 O.J. (C 306) (Dec. 13, 2007) [hereinafter TFEU], states that “[q]uantitative restriction on imports and all measures having equivalent effect shall be prohibited between Member States.” This principle supersedes the general principle in Article 36, according to which, European Union (EU) members can prohibit or restrict “imports, exports or goods in transit” based upon “the protection of industrial and commercial property.” Art. 36, TFEU. Moreover, the prohibition under Article 36 “shall not . . . constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.” *Id.*

¹³⁰ See discussion *supra* Part II.

¹³¹ Apostolos G. Chronopoulos & Spyros M. Maniatis, *Trademark Exhaustion and its Interface with EU Competition Law*, in RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS 367 (Irene Calboli & Edward Lee eds., 2016); Guido Westkamp, *Exhaustion and the Internet as a Distribution Channel: the Relationship Between Intellectual Property and European Law in Search of Clarification*, in RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS 367 (Irene Calboli & Edward Lee eds., 2016).

¹³² See, e.g., Carl Steele, “Fortress Europe” for Trademark Owners, 1998 TRADEMARK WORLD 14 (Aug. 1998) (summarizing the relevance of the ECJ’s decision in *Silhouette* in creating a closed trading block among member countries).

¹³³ In 2007, a Protocol to provide special consideration for rice and sugar was signed in Makati City, Philippines. Protocol to Provide Special Consideration for Rice and Sugar, ASEAN, Aug. 23, 2007. In 2010, following the signing and entry into force of ATIGA, a revision to the protocol was adopted that provides “the need to amend the Protocol to take into account the entry into force of the ASEAN Trade in Goods Agreement.” See Protocol

economic integration achieved, and perhaps the level that is possible at this time, has not yet reached the same level as seen in the EU/EEA markets. Instead, tariffs still exist on products (especially the most relevant products for national economies, such as rice or sugar) coming from other ASEAN Members, despite the fact AFTA has reduced intra ASEAN tariffs on most products.¹³⁴ Accordingly, the continued divergence of domestic IP exhaustion laws may not necessarily be a reflection of ASEAN Members' desire to effectively integrate their markets in the long term. For comparison, EU/EEA countries diverged on the issue for several decades after the launch of the EEC in 1957 and harmonized their laws on IP exhaustion as recent as the 1990s.¹³⁵

While not imminent, ASEAN Members will need to decide whether they would like to proceed with a full market integration as announced in the ASEAN Blue Print and as part of the AEC. Should they decide to proceed in this direction, ASEAN Members would need to decide what IP exhaustion approach works best, either as individual ASEAN Members or as AEC as a whole.

As mentioned earlier, ASEAN Members have two options to achieve a fully operating internal market where goods can freely move, including goods protected by IP rights. They could opt for an EU-EEA-type system of regional exhaustion, but all ASEAN Members would need to change their national laws and allow intra-ASEAN free movement while prohibiting parallel imports from outside ASEAN. Or they could opt for a system where each ASEAN Member would follow a principle of international exhaustion for all domestic IP rights. In the latter case, a shift for most ASEAN Members' domestic policies would still be required in favour of a generalized principle of international exhaustion. Hence, each

to Amend the Protocol to Provide Special Consideration for Rice and Sugar, ASEAN, OCT. 28, 2010, *available at* [http://investasean.asean.org/files/upload/00%20Protocol%20Amendment%20Protocol%20Rice%20and%20Sugar%20\(2010\)\(1\).pdf](http://investasean.asean.org/files/upload/00%20Protocol%20Amendment%20Protocol%20Rice%20and%20Sugar%20(2010)(1).pdf) [https://perma.cc/N855-MLAJ].

¹³⁴ ASEAN Free Trade Area (AFTA Council), ASEAN (2014), <http://asean.org/asean-economic-community/asean-free-trade-area-afta-council/> [https://perma.cc/KK2D-P2WS]; *see also* ASEAN Free Trade Area (AFTA): An Update, ASEAN (2014), http://asean.org/?static_post=asean-free-trade-area-afta-an-update [https://perma.cc/LKX4-3RCK].

¹³⁵ *See* Irene Calboli, *Trademark Exhaustion and Free Movement of Goods: A Comparative Analysis of the EU/EEA, NAFTA, and ASEAN*, in RESEARCH HANDBOOK ON INTELLECTUAL PROPERTY EXHAUSTION AND PARALLEL IMPORTS 367 (Irene Calboli & Edward Lee eds., 2016).

ASEAN Member would also be able to continue a nationally-independent trade policy and admit as legal imports goods coming from non-ASEAN countries. As I mentioned in the Introduction, the latter solution seems to be the solution more congruent (for the time being) with the principle of non-interference (or perhaps “less-interference”) and the ASEAN-Way, as ASEAN Members would not be required to grant other ASEAN-Members preferential treatment over third-party foreign countries and could continue independent trade-related policies with these countries while still fostering a legal environment for goods to freely move across ASEAN.

In summary, while legitimate reasons may exist for ASEAN Members to retain the current inconsistent status quo regarding the regulation of IP exhaustion at the domestic level, including nationally-driven trade policies, the exercise of domestic IP laws should not create barriers to the free movement of legitimate genuine goods within ASEAN moving forward. Simply put, this amounts to a disguised barrier to legitimate trade within ASEAN and stands against the principle of free movement of goods adopted as one of the defining principles of ASEAN and the AEC. Accordingly, ASEAN Members should consistently adopt rules that would not permit the domestic enforcement of IP rights to interfere with the free movement of goods across ASEAN so long as those goods are genuine. Implementing the rules is not urgent but should be implemented at some point, or else the ASEAN and the AEC will not enjoy a fully functioning internal market.

V. CONCLUSION

Different countries adopt different solutions regarding the principle of IP exhaustion based on a variety of conditions, including the size of national markets, level of development, as well as historical and geopolitical factors. National solutions may evolve and change, depending on changes in these conditions and national interests. Free trade areas and regional organizations are also created based on a variety of (often diverse) national interests of the participants. When one of the objectives of these areas or organizations is the creation of regional internal market, consistent national rules on IP exhaustion are necessary, even when this may imply changes in national policies. In the future, ASEAN Members may need to decide on a common strategy guaranteeing free

movement of goods within ASEAN, including the regulation of domestic policies on IP exhaustion. As ASEAN Members may prefer to continue following the ASEAN Way and avoid interference into other members' national policies, ASEAN Members could opt for domestic solutions of international exhaustion for all IP rights, facilitating the free movement of goods within ASEAN and leaving ASEAN Members free to decide their domestic trade policy with other countries.